

## Message Text

LIMITED OFFICIAL USE POSS DUPE

PAGE 01 PRAGUE 02908 141026Z

70

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01

COME-00 FRB-03 /081 W

----- 007655

R 131333Z NOV 75

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 9171

INFO AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USMISSION NATO BRUSSELS

LIMITED OFFICIAL USE PRAGUE 2908

VIENNA FOR USEWTC

E.O. 11652: N/A

TAGS: EALR, ECON, CZ

SUBJECT: HUSAK ON PRICES AND THE ECONOMY

REF: PRAGUE 2862

1. BEGIN SUMMARY: PARTY SECRETARY HUSAK IN SPEECH  
NOVEMBER 10 FAVORABLY REVIEWED PERFORMANCE OF ECONOMY OVER  
PAST FOUR YEARS AND IN KEY PASSAGE GAVE EMPHASIS TO PRIME  
MINISTER STROUGAL'S WORDS NOVEMBER 6 RELATING TO GOVERNMENT  
PLANS TO HOLD RETAIL PRICES TO CURRENT LEVELS AFTER FIRST OF YEAR.  
WE JUDGE BOTH STATEMENTS TO BE IN RESPONSE TO RISING

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PRAGUE 02908 141026Z

WORRY AMONG CZECHOSLOVAK CONSUMERS OVER RUMORS,  
CIRCULATING BOTH DOMESTICALLY AND, APPARENTLY, IN WEST,

OF PRICE INCREASES AS HOLIDAY SEASON APPROACHES. ON SURFACE, THESE REASSURING REMARKS ON TOP LEADERSHIP APPEAR CATEGORICAL AND FIRM AND ARE LIKELY TO BE SUCCESSFUL IN PLACATING CONSUMER FEARS IN SHORT RUN. END SUMMARY.

2. SPEAKING NOVEMBER 10 BEFORE RALLY OF STEELWORKERS IN KLADNO, A SUBURB OF PRAGUE, ON OCCASION MARKING INSTALLATION OF NEW ELECTRICAL FURNACE AT DRIN STEEL WORKS, PARTY SECRETARY HUSAK HAD THESE THINGS TO SAY ABOUT ECONOMY IN GENERAL AND PRICES IN PARTICULAR:

-- HUSAK NOTED OVERALL RECORD OF PERIOD FOLLOWING FOURTEENTH PARTY CONGRESS (1971) IN DEVELOPMENT OF ECONOMY, GROWTH IN LIVING STANDARDS AND PROGRESS IN ALL WALKS OF LIFE HAD BEEN ONE OF "VERY HAPPY RESULTS," INCLUDING FIRST TEN MONTHS OF 1975.

-- GROWTH OF INDUSTRIAL OUTPUT WAS 7.5 PERCENT ABOVE COMPARABLE PERIOD ONE YEAR AGO AND DEVELOPING FASTER THAN PLANNED. (NOTE: INDUSTRY GREW BY 6.2 PERCENT IN 1974 OVER 1973.)

-- CONSTRUCTION TARGETS SET FOR THIS YEAR WERE BEING "HIGHLY OVERFULFILLED." (NO FIGURES GIVEN.)

-- DESPITE UNFAVORABLE WEATHER, AGRICULTURE WAS MEETING PLANNED QUOTAS. (NOTE: HUSAK PROVIDED NO FIGURES EITHER FOR HARVEST RESULTS OR FOR PLANNED CROP TARGETS.)

-- AS FOR 1976 AND BEYOND, HUSAK DECLARED THAT GOVERNMENT PLANS TO HOLD "STRICTLY TO COURSE" THAT HAS PROVEN BENEFICIAL FOR ALL SECTORS OF ECONOMY AND BRANCHES OF SOCIETY.

-- LATER THIS WEEK FEDERAL ASSEMBLY WILL BEGIN DEBATE ON BILL TO RAISE OLD-AGE PENSIONS WITH EFFECT FROM JANUARY 1, 1976.

3. ON SUBJECT WHICH SEEMS TO BE ENGAGING INCREASING INTEREST OF POPULACE AND ATTENTION OF GOVERNMENT IN RECENT DAYS -- PRICES -- HUSAK TOOK GREAT PAINS TO ASSURE NATION THAT NO MAJOR PRICE INCREASES WERE IN OFFING. RELEVANT PORTION OF HIS SPEECH IS QUOTED BELOW BASED ON UNOFFICIAL EMBASSY TRANSLATION:

"ALTHOUGH EVERYBODY CAN SEE THESE THINGS AND FIND ENOUGH EVIDENCE AROUND THEMSELVES, ENEMY PROPAGANDA IS ATTEMPTING TO FOMENT DOUBTS AMONG

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PRAGUE 02908 141026Z

OUR PEOPLE AND MISGUIDE THEM. THERE ARE SOME NAIVE AND EVEN MALICIOUS INDIVIDUALS WHO ARE SPREADING RUMORS ON PROSPECTIVE INCREASES IN THE PRICES OF MEAT, FOOD, RENT, GAS, AND WHAT NOT. SOMEWHERE RUMORS HAVE SPRUNG UP ON CURTAILMENT OF LOANS TO NEWLY MARRIED COUPLES, ETC. UNDER THE INFLUENCE OF FOREIGN PROPAGANDA, THE FANTASY OF SOME (CZECHOSLOVAK) PEOPLE IS NOW AT WORK.

"PRIMARILY TO SAVE HONEST PEOPLE FROM BEING TAKEN

IN BY SUCH RUMORS, I WANT TO SAY OPENLY THAT NOBODY  
IN OUR COUNTRY HARBORS SUCH PLANS. NO RISE IN PRICES  
IS PLANNED HERE WITHER BEFORE OR AFTER JANUARY 1.  
QUITE THE OPPOSITE, WE WILL TRY, DEPENDING ON OUR  
ECONOMIC GROWTH, TO SECURE AND RAISE THE LIVING  
STANDARDS OF OUR WORKING PEOPLE AND MAINTAIN THE  
OVERALL LEVEL OF RETAIN PRICES BEFORE CHRISTMAS AND  
AFTER NEW YEAR'S DAY."

4. COMMENT: COMING AS CLOSE AS IT DOES ON HEELS OF PRIME  
MINISTER STROUGAL'S REMARKS NOVEMBER 6 (SEE REFTTEL), HUSAK'S  
STATEMENT AGAINST MUCH-RUMORED PRICE HIKES IS STRONG  
CONFIRMATION THAT ANY IMPORTANT PRICE INCREASES ARE RULED OUT  
FOR NOW AND IMMEDIATE FUTURE. HIS WORDS SHOULD THUS COME  
AS WELCOME REASSURANCE TO CZECH AND SLOVAK PEOPLE THAT THEIR  
INCOMES WILL NOT BE ERODED BY ANY DRASTIC UPWARD REVISION  
OF PRICES EARLY IN 1976.

5. THE GOVERNMENT HAS OBVIOUSLY BEEN STUNG HARD BY  
STATEMENTS IN WESTERN MEDIA WHICH HAVE FOUND THEIR WAY  
INTO CZECHOSLOVAKIA IN RECENT WEEKS. HAVING CLEARLY IN MIND  
WHAT HAPPENED IN POLAND IN 1970 WHEN MR. GRMULKA CLUMSILY  
ANNOUNCED PRICE INCREASES JUST BEFORE CHRISTMAS TIME, MESSRS.  
HUSAK AND STROUGAL HAVE SEEMINGLY EMBARKED ON COORDINATED  
PROGRAM TO REASSURE CZECHOSLOVAK CONSUMERS THAT NOTHING OF  
SORT WILL HAPPEN HERE, AT LEAST NOT FOR REST OF THIS YEAR OR  
INTO 1976. (TO A CYNIC, HUSAK'S PHRASING OF REGIME'S COMMIT-  
MENT TO MAINTAIN PRICES "BEFORE CHRISTMAS AND AFTER NEW YEARS'S  
DAY" MIGHT SEEM LESS THAN LONG-TERM, BUT HE WAS APPARENTLY  
SPEAKING FROM NOTES AND NOT FROM A PREPARED TEXT AND THUS TOO  
MUCH WEIGHT SHOULD PERHAPS NOT BE ATTACHED TO PHRASING. NEVERTHELESS,  
LIMITED OFFICIAL USE  
LIMITED OFFICIAL USE

PAGE 04 PRAGUE 02908 141026Z

THE THOUGHT NAGS THAT CONSUMER PRICES HIKES COULD STILL TAKE PLACE  
ONCE HOLIDAY SEASON IS SAFELY PAST AND FADING FROM MEMORY, SAY,  
IN EARLY SPRING, AND HUSAK IF HE CHOSE TO DO SO COULD WELL CLAIM ON  
BASIS OF HIS WORDS THAT TECHNICALLY THERE HAD BEEN NO BREACH OF  
FAITH. THE POLITICAL COST OF SUCH A MANEUVER WOULD BE HIGH,  
HOWEVER. WE THUS BELIEVE THAT THERE IS INDEED NO PRESENT  
PLAN TO INCREASE PRICES, AND THAT AT WORST HUSAK WAS HEDGING JUST  
IN CASE THE NECESSITY SHOULD ARRISE.)

6. WHATEVER MAY HAPPEN NEXT YEAR, THESE STATEMENTS HUSAK AND STROUGAL

STATEMENTS TAKEN BACK-TO-BACK SHOULD CERTAINLY HAVE DESIRED EFFECT  
OF CALMING CONSUMERS IN SHORT RUN, AND EVEN MAY PROVIDE SOME  
SOLACE TO THOSE SKEPTICS WHO TAKE LONGER VIEW. BUT TO  
OFFICIALS CHARGED WITH TASK OF BALANCING STATE BUDGET IN FACE  
OF DECLINING EXPORTS AND RISING COST OF IMPORTS. HUSAK'S  
LATEST REAFFIRMATION OF GOVERNMENT POLICY TO KEEP RETAIL PRICES

STABLE MUST BRING ON SEVERE ECONOMIC HEADACHES, WHATEVER POLITICAL  
JUSTIFICATION THERE MAY BE FOR IT.  
PERRY

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PARTY LEADERS, PARTY MEETINGS, ECONOMIC PROGRAMS, PRICE CONTROLS, SPEECHES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975PRAGUE02908  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750397-0955  
**From:** PRAGUE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19751146/aaaabovv.tel  
**Line Count:** 172  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 PRAGUE 2862  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 03 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <03 APR 2003 by ShawDG>; APPROVED <14 OCT 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** HUSAK ON PRICES AND THE ECONOMY  
**TAGS:** EALR, ECON, CZ, (HUSAK, GUSTAV)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006